Marketing (Canadian) 5th edition Grewal Solutions Manual

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Chapter One: Overview of Marketing

TOOLS FOR INSTRUCTORS

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Learning Objectives

1. Define the role of marketing and explain its core concepts
2. Describe how marketers create value for a product or service
3. Summarize the four orientations of marketing
4. Understand the importance of marketing both within and outside the firm

Annotated Chapter Outline	Instructor's Notes
Opening Vignette: Energy Bars Today many people rely on energy bars as meal replacement snacks during the day. With numerous types of energy bars e.g. (meal replacement bars, protein bars, whole food bars, snack bars, paleo, gluten-free, etc.) brands need to clearly communicate the value of their products to consumers.	***Ask students: Describe the value energy bar maker KIND provides customers. What do you consider are the main reasons for KIND's growth and success?*** *Answer: (1) It positions its products as supporting a healthy lifestyle to appeal to customers, (2) it uses natural ingredients, and (3) it is committed to kindness initiatives and the good of the world.*

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Annotated Chapter Outline	Instructor's Notes
LO1: What is Marketing? **1. Marketing** is a set of business practices designed to plan for and present an organization's products or services in ways that build effective customer relationships (The Canadian Marketing Association **A**. The *marketing plan* is a written document that specifies marketing activities in terms of the 4 P's, action programs & projected or pro forma income & other financial statements, for a specific period of time.	*Marketing is used to create value in products & services.* *The interrelated marketing mix – or the 4 P's – creates, transacts, communicates & delivers value.* *Good marketing is not a random activity and it requires thoughtful planning with an emphasis on the ethical implications of decisions made on the consumer and society in general.*
Marketing is NOT just about buyers and sellers exchanging money for goods and services or about making a profit.	***Group activity:*** *The chapter opens by pointing out that people engage in marketing every day as both buyers and sellers. Have students make a list of all marketing transactions in which they were involved today. List the types of activities on the board and categorize them as buy or sell.*
***Ethics	*There is a strong ethics orientation in this book. At the start of the semester, stress that marketers' actions have ethical implications that must be understood and addressed.*
***Value is a key theme throughout the textbook, that is, creating value for both a firm and its customers. A more in-depth discussion follows later in the chapter.	*Discuss how the same product can provide lots of value to one consumer but little or no value to another. Use the example of a recent movie that split the audience, e.g., people either love or hate Joaquin Phoenix in "The Joker." Why?*
B. Marketing consists of six core aspects that work together to create value for customers and the firm.	*For a shorter lecture, one slide can be used to introduce all six core aspects. More detailed slides can be used for expanded discussion if desired.*
2. Marketing Is About Satisfying Customers' Needs and Wants **A.** The marketplace can be defined as the world of trade or more narrowly defined by segments. **B.** It is often not practical to sell the firm's product to everyone, so marketers focus on the groups or segments that are most profitable (referred to as the market).	***Ask students*** *if they have ever thought about the number of brands and types of toothpaste available.* ***Group activity:*** *Ask students to list the types and brands of toothpaste they know. Then ask: Why do you think there are so many? Point out that the benefits of each one differ. Ask: Are these differences based on needs or wants or a combination of both?*

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Annotated Chapter Outline	Instructor's Notes
3. Marketing Entails an Exchange. **A.** *Exchange* refers to the trade of things of value between the buyer and seller so that each is better off as a result.	***Ask students*** *to discuss how these exchanges occur in nonprofit settings. What is the exchange at a museum or a lecture?* *You might also use the example of a swap or barter page. (An excellent example of swaps can be found on the First Canadian Barter Exchange website http://barterfirst.com/).* *Each party to the exchange gives up something of value: The customer gives up not only money but also time and information, and the firm gives up the good or service. The exchange in the end is mutually beneficial.* *You can visit the Chapters/Indigo website to initiate a discussion of what customers give up in exchange for the company's products.* http://www.chapters.indigo.ca/home/
LO2: Marketing Requires Marketing Mix Decisions The marketing mix (4Ps) of product, price, place, and promotion refers to the controllable set of activities the firm uses to respond to the wants and needs of its target market.	*Stress that the concept of the 4Ps is fundamental to marketing. Remind students that "4Ps" and "the marketing mix" may be used interchangeably to refer to product, price, place, and promotion.*
Products: Creating value 1. The fundamental purpose of the firm is to create value by developing a variety of offerings, including goods, services, and ideas, to satisfy consumer needs. 2. ***Goods*** are items that you can physically touch. 3. ***Services*** are intangible customer benefits produced by people or machines that cannot be separated from the producer. 4. ***Ideas*** include thoughts, opinions, philosophies, and intellectual concepts that also can be marketed.	*Students often can relate to goods and services, but the marketing of ideas is a new concept to them. Use the example of drunk- driving prevention.* ***Ask: How is that idea marketed?*** *Organizations such as Mothers Against Drunk Driving or Students Against Drunk Driving often receive support from brewers and distillers in promoting responsible drinking and safe driving.* ***Ask students:*** *What is the exchange these groups are asking consumers to enter?* *Answer: They want you to consume alcohol in a manner that is consistent with safety, which means giving up some consumption or drinking responsibly – do not get behind the wheel if you drink.*

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Annotated Chapter Outline	Instructor's Notes
Price: Transacting value *Price* refers to everything the buyer gives up—money, time, and energy— in exchange for the product.	*This is a good opportunity to remind students that the price paid is more than cash. Also tell them that later in the semester, you will look at how marketers view price, which often differs from the conceptions they may have been taught in finance courses about how to determine price.*
Place: Delivering value. *Place* includes all activities undertaken to get the product to the right customer when that customer wants it.	*Of all the areas in marketing, place is the least recognizable in relation to marketing. Students tend not to think about the importance of getting goods from manufacturers to consumers, which currently requires global approaches.* *This semester, they will learn about marketing's role in this crucial process.* *Distribution strategy can be complex and requires consideration of many factors, as well as a high level of coordination.*
Promotion: Communicating value *Promotion* is communication by a marketer that informs, persuades, and reminds potential buyers about a product or service to influence their opinions or elicit a response.	***Ask students** to identify the target audience for an ad from Chapter 1. What value proposition is it offering and to which audience?* *Answer: For example, the Street Smart ad is targeted at drivers to help them understand why they need to give cyclists room on the road. The ad promotes ideas, in this case, bicycle safety.*
Marketing Can Be Performed by Both Individuals and Organizations **A.** B to C: Business-to- consumer marketing. **B.** B to B: Business-to-business marketing. **C.** C to C: Consumer-to-consumer marketing.	*Students often fail to consider that the products they purchase have changed hands before. Offer them the following example: The computer you recently purchased from Best Buy (B to C) was purchased by Best Buy from the manufacturer (B to B). If you sell your computer to your roommate, you have engaged in C to C selling. Thus, the same product might be a part of all three types of marketing.*
Marketing impacts many stakeholders: **A.** Both for-profit and not-for-profit entities use marketing. **B.** Developing economies can benefit from marketing. **C.** Entire industries can benefit from marketing.	*An interesting example of a nonprofit that makes extensive use of marketing is Heifer International (http://www.heifer.org/) Consumers choose from a series of options, ranging from a goat to an ark full of animals, to donate to a family in need, who uses the donation as a source of both income and food, which means the recipients have access to new marketing opportunities.* *The use of digital tools to easily & quickly create & share content to foster dialogue, social relationships & personal identities.*

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	One thing is very clear: social media has quickly become an integral part of marketing & communication strategies.
Sustainable Marketing 1.1 Sustainability and Reputation Management	*Sustainability is becoming an important aspect of business and marketing practices. However, it seems to mean different things to different people. Companies embrace it for different reasons, most often to meet customer expectations.* *Ask students what sustainability means to them and to indicate how a company's reputation is tied to its sustainability initiatives.*
LO3: The Four Orientations of Marketing Helps Create Value **1.** Product-oriented era: Belief that the product would sell itself. **2.** Sales-oriented era: Overcapacity led to a focus on personal selling and advertising. **3.** Market-oriented era: Manufacturers focus on what consumers want and need before design or production. **4.** Value-based oriented: Value entails the relationship of benefits to costs, or what you get for what you give up.	*Ask students to consider each incarnation of the telephone presented in Exhibit 1.4. How has each been an improvement? Walk students through the eras and discuss how the firm's focus went from the needs of the firm to the needs of the market.*
How Do Firms Become More Value Driven? Marketers must keep a vigilant eye on the marketplace so they can adjust their offerings to meet customer needs and keep ahead of the competition. **A.** Share information about customers and competitors across the organization and supply chain. Zara is a Spanish clothing retailer that has aggressively expanded in recent years. For Zara, information is crucial to being able to meet the needs and wants of customers.	*For firms to compete, they must constantly assess consumers' perceptions of value. The advent of sophisticated databases has made it easier for firms to track consumers.* *How can sharing and coordinating information transmit into success?* *Zara has been able to offer customers the latest fashions in a timely manner by reducing the time it takes to get goods from the manufacturer to stores. The retailer's methods allow for quick replenishment of fast moving items.* ***Ask students:** How many of you shop at Zara because of its ability to deliver new fashions quickly?*
Marketing Analytics 1.1 Location, Location, Analytics: Starbucks' Use of Data to Place New Stores	*Marketing analytics is becoming more important to all companies. Most chapters include discussions like this one about Starbucks and how it uses a Geographic Information System and predictive analytics to evaluate weather, demographics, population density, proximity to other Starbucks*

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Annotated Chapter Outline	Instructor's Notes
	locations, and traffic patterns, to help determine new store locations.
B. Balance customers' benefits and costs. Use customer data to find opportunities to serve customers better and develop long-term loyalties.	*With information, the firm can understand the key benefits customers seek, focus on those and eliminate the cost of providing other less strategic benefits.* *To follow up on the Zara example, note that its ability to meet the needs of the market consistently has created loyal customers, because customers know they can always find the latest fashions at Zara.*
C. Build relationships with customers **1.** A *relational orientation* regards the buyer–seller relationship in terms of relationships rather than as a series of individual transactions. A *relational orientation suggests* buyers and sellers should develop long-term relationships. **2.** *Customer relationship management (CRM)* is a business philosophy and set of strategies, programs, and systems that focus on identifying and building loyalty among the firm's most valued customers.	*In early conceptions of marketing (before value-based marketing), firms often viewed the closing of the sale as the termination of their relationship with the customer. Today, firms strive to create lifetime value among customers, hoping they will return to the firm for all their future needs.* *Marketers steadily embrace new technologies, such as social and mobile media to allow them to better connect with their customers and thereby serve their needs more effectively.*
Ethical Dilemma 1.1 Adding Value by Addressing Gender Inequality in the Coffee Market	*As noted earlier, ethics is a theme that is revisited often throughout this textbook via Ethical Dilemma boxes like this one, as well as in Chapter 17 which deals with Ethics and Social Responsibility.* *Ask students how they feel about companies taking a stand on issues such as gender equality. Do such actions make a difference to the products they buy or the prices they are prepared to pay for them?*
LO4: Why is Marketing Important? Marketing has evolved into a major business function that crosses all areas of a firm or organization.	*This slide introduces the next series of slides or can be used as in or shortened lecture.*

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Annotated Chapter Outline	Instructor's Notes
1. Marketing Expands Firms' Global Presence The same skills for understanding customers that allow marketing to be successful in the home country market may allow for global expansion as well.	***Group activity:*** *Starbucks is one of the fastest expanding global firms. Ask students to brainstorm why Starbucks has been so successful globally. You can visit the Starbucks' website to identify products being promoted in all of the identified markets. (NOTE: This list varies by season.) Ideas include type of product (beverages are universal), customer need (luxury and convenience items), local product adaptations, etc. Ideas include type of product (beverages are universal), customer need (luxury and convenience items), local product adaptations, etc.*
2. Marketing Is Pervasive Across Marketing Channel Members The marketing department must work seamlessly with other functional areas of the company to design, promote, price, and distribute products.	*A supply chain is the group of firms & set of techniques & approaches firms use to make & deliver a given set of goods & services.* *Ask students: Have you ever considered how products from all over the world get to your hometown? Each step in the supply chain takes the good and increases its value by either improving it or delivering it to the end consumer. Remind students that each step involves an exchange.*
3. Marketing Enriches Society Many firms now recognize that their business's strong social orientation provides a sound strategy in the best interests of both themselves and their customers.	*The Avon Breast Cancer Crusade is an excellent example of how a firm uses its knowledge of marketing to benefit society. Avon has long supported breast cancer awareness and prevention and, through its distributor network, has been able to educate women about the importance of early detection. Because of its primarily female sales force, Avon's work was truly women helping women.*
4. Marketing Can Be Entrepreneurial Marketing sits at the centre of the successes of numerous ventures initiated by entrepreneurs, or those people who organize, operate, and assume the risk of a business venture.	***Ask students:*** *Why is marketing so important for entrepreneurs?* *The examples cited in the chapter of Canada Goose and Steeped Tea are important examples of successful entrepreneurial endeavours.*
Entrepreneurial Marketing 1.1 Kacee Vasudeva's Mosquito Preventer Trap is a good example of a new product from a veteran entrepreneur. We will follow the theme of entrepreneurship throughout the textbook.	*Almost every chapter features an entrepreneur. In some cases the entrepreneurs are neophytes while others, like the inventor of the Mosquito Preventer Trap, are seasoned veterans. Some Entrepreneurial Marketing boxes feature companies that have pitched their stories on CBC's Dragons' Den show.*

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Concept Review

Generally, the concept questions are designed to achieve a single purpose – to encourage students to test their knowledge and understanding of the theoretical content of the chapter. These questions encourage recall and reflection, which will better prepare students to answer the marketing applications questions based on their understanding of the theory.

1. What is marketing and why is it important?

Marketing is a set of business practices designed to plan for and present an organization's products or services in ways that build effective customer relationships. Marketing is important because it helps create value for firms.

2. Is the marketing mix (4Ps) enough to guarantee successful marketing? Explain.

The controllable set of interrelated decisions known as the marketing mix, (Product, Price, Place, and Promotion) is central to all marketing activities. However, they are never a guarantee of successful marketing. Making the right marketing decisions and executing them properly simply maximize a product or company's potential for success. Marketers can substantially increase their chances for success if they have a deep understanding of their environment and their competition, build strong relationships with suppliers, customers, and other marketing intermediaries, establish a corporate culture that places the customer at the centre of the firm's marketing activities, and above all, offer customers products and services that satisfies their needs and wants, i.e. deliver strong value.

3. Explain how a strike at one of the company's supplier firms or a new technology would influence the company's marketing efforts?

Marketing is shaped by external forces and players. A supplier strike or a new technology might change how the company deliver value to its customers. A strike at a supplier plant may lead to shortage of inputs – raw material or parts – that could restrict the ability of the company to produce sufficient quantity of products to meet demand. For example, a prolonged strike at a parts supplier may reduce the ability of Ford or GM to manufacture enough vehicles to meet demand because they don't have necessary parts for their vehicles. Technology can have both positive and negative effects on a company's marketing efforts. Some types of technology may render a company's existing technology obsolete while creating opportunities for companies with the new technology. For example, the Internet has changed the way marketers interact and communicate with their customers, suppliers and others companies.

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4. Discuss the main elements of value-based marketing. List four ways in which marketing helps to create value.

There are two main elements to value-based marketing: value, and cost. The central goal is to provide consumers with value or benefits that are perceived to be much greater than their costs. Value can mean different things to different people and is constantly changing in today's marketplace. Depending on the product, it may include size, speed, convenience, colour, or taste. Costs often reflect time, effort and money sacrificed.

Ways in which marketing helps to create value include, 1) coordinating across the organisation, 2) coordinating across the supply chain, 3) expanding a firms' global presence, 4) making life easier, 5) providing employment opportunities and 6) enriching society.

5. Explain the relationship between customer value and customer satisfaction.

Customers naturally seek options that provide the greatest benefits at the lowest costs. A satisfied customer is one who has received value greater than the costs incurred. Value is derived from the 4Ps: product creates value, price transacts value, place delivers value and promotion communicates value. Costs to a customer can include the price paid, information given or time lost. Customer value is the difference between the benefits earned and cost paid. Customer satisfaction is when a customer's expectations of value or benefits are met – usually when costs are less then benefits derived, and in a fair way. Customer satisfaction may be described in two ways – satisfaction with individual transactions or satisfaction derived over a period of time from an accumulation of transactions.

6. Generally, all companies are in business to generate profits and increase shareholder value. Yet, the Canadian Marketing Association definition of marketing does not explicitly mention profits or shareholder value. Why do you think these are not included in the definition? Should they be included?

Profits and value to the shareholder are not included because they define success too narrowly as monetary profits – and do not account for all aspects of value. The marketing function can create value that is not reflected in dollars and cents, such as building strong, trust-based relationships with loyal customers, or performing detailed market research that uncovers new consumer wants, needs and behaviours. Marketing can often be a cost centre whereas sales is a profit centre, and therefore profit need not be included as part of the definition of marketing. Moreover, the definition implies that firms that consistently deliver good value to customers and build strong relationships will eventually becomes successful and profitable.

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7. Today, many marketers are not interested in selling their products and services to everyone who wants it, but only to selected target markets. What do you think the main reasons are for targeting specific market segments?

In order to plan and execute marketing communications that reached and attracted every single consumer, one would require a budget so large it would not be feasible. Although marketers would prefer to sell their products and services to everyone, it is not practical to do so. Companies identify target groups who they expect to respond to their marketing efforts similarly. By targeting specific market segments a company can develop marketing programs that specifically address the needs and wants of each chosen segment, thereby increase the chance of success of their marketing programs. This way also, marketers can ensure their scarce resources are allocated and used maximally.

8. Give reasons that you think understanding customer needs and wants is fundamental to marketing success. How can marketers go about understanding customer needs and wants?

Customer needs and wants are fundamental to marketing success because they are the primary motivator for action. When an unsatisfied need is recognised, the customer desire is to go from their actual, needy state to a different, desired state. Understanding customer needs help marketers develop marketing mixes to satisfy those needs in ways customers prefer. Building strong relationships with customers is important to obtaining information, creating value and is the central concept of the relational orientation. This is known as customer relationship management (CRM), and maximizes the long-term value of the buyer-seller relationship rather than trying to maximize the profit from each transaction. CRM often includes collecting customer information in order to target specific promotions or offers to customers who would benefit most. Generally, market research discussed in greater detail in Chapter 4 describes the range of methods marketers use to better understand customer needs and deliver strong value when trying to satisfy those needs.

9. Which marketing orientation would most likely help a company build strong customer relationships that are profitable? Why?

Value-based marketing allows for the strongest relationships to be built with customers. This is because it starts with understanding what customers needs and want and delivering strong value to satisfy those needs/wants. In this respect, the value-based orientation encourages the collection and organisation-wide sharing of customer information, balancing benefits with costs, and strives to develop strong customer relationships. Keeping close contact with customers in an attempt to encourage customer-marketer dialogue, customer satisfaction and customer loyalties are fundamental to the value-based orientation. The value-based orientation does not view each customer-marketer contact as a series of individual

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transactions where the marketer must maximise profits. Rather, each customer-marketer contact as an opportunity to satisfy the customer and strengthen their relationships, which over the long-term will generate customer loyalty and ultimately increased profitability.

10. Explain how customer value is created or increased when the company's marketing department works closely with other departments within the firm as well as with the firm's suppliers and customers.

In value-based marketing firms, the marketing department works seamlessly with other functional areas of the company to design, promote, price, and distribute products. As well, for the supply chain to provide significant value to the ultimate customer, the parties must establish long-term relationships with one another and cooperate to share data, make joint forecasts, and coordinate shipments. Effectively managing supply chain relationships often has a huge impact on a firm's ability to satisfy the consumer, which results in increased profitability for all parties. The more the marketing department can work closely with other departments, and share information across the supply chain, the more the firm can understand and better satisfy the needs and wants of its customers, therefore increasing the value to the customer.

Marketing Applications

1. When apparel manufacturers develop marketing strategies, do they concentrate on satisfying their customers' needs or wants? What about a utility company? A cellular phone company?

Instructor's Notes: This question is intended to make students think about the difference between customer needs and wants, as well as how companies might address one or both. It also challenges students to explore whether different types of companies address the needs and wants of consumers differently. An apparel company might focus more on a customer's wants while providing for the customer's basic clothing needs—for example, a coat designer might cover the basics of a customer's need for a coat by offering one appropriate for the season but strongly appeal to that customer's wants by offering many seasonal coat selections in unique colours and styles that provide more fashion-forward coat choices. Firms also must respond to competitors' offerings. An electric utility company might have a strong imperative to satisfy customers' needs for reliable electricity but not focus as much on customer wants because it faces little market competition.

Example answers:

For an apparel manufacturer to develop a successful marketing strategy, it must take into account both needs and wants of customers. The degree to which the apparel manufacturer fulfills both needs and wants heavily influences whether it successfully sells its products.

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- A utility company might consider its customers' needs more (e.g., reliable water or electric supply to homes and businesses) but also consider customers' wants (e.g., how they wish to receive the service, how they prefer to be billed) to achieve higher customer satisfaction and provide offers that go beyond basic needs.
- A cellular phone company must focus on both the customers' needs (e.g., basic, reliable service) and wants (e.g., providing the latest, hottest phones, Internet access) to market its products successfully in today's highly competitive cellular phone market.

2. Choose a product that you use every day. Describe its 4Ps.

Instructor's Notes: This question is designed to personalize the four major marketing elements for students. Choosing a product that he or she uses everyday and analyzing its 4Ps (product, price, place, and promotion) forces the student to think about how the four elements might come together to make it attractive. This exercise takes the product away from the realm of something that the student simply uses and enjoys and into a better understanding of what makes the product appealing to the student personally.

Example Answer #1 Crest	
Product	Crest toothpaste
Place	Drugstores, grocery stores, wholesale clubs (Shoppers Drug Mart, Loblaws, Costco)
Promotion	Newspaper and magazine advertisements, supported by moderate TV and cable advertising. "Healthy beautiful smiles for life" (www.crest.com) → promotes beauty, vitality, and life-long benefits
Price	Suggested retail price, but with price promotions depending on retail channel and new product release schedule (e.g., newspaper coupon inserts for new products)
Example Answer #2 Honda	
Product	Honda Civic sedan
Place	Honda dealerships, preowned vehicle dealers
Promotion	Heavy TV and cable advertising, as well as full-colour magazine advertisements. "Evolution. Revolution. This is no time to stand still—the all-new Honda Civic is ready to take you places you've only imagined" (www.honda.com) → promotes freshness of design, speed, and dream fulfillment.
Price	Manufacturer's recommended pricing, with potential promotions at the dealership level. "Build-your-own-Civic" functionality via the Honda Web site, which allows customers to see the price of a car with their own option selections.
Example Answer #3 McDonald's	

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Product	burgers, fries, soft drinks, milk shakes, Combo meals
Place	widespread distribution in all major cities in the world
Promotion	uses a mix of advertising, sales promotion (e.g. Happy Meals), public relations (Ronald McDonald charities), personal selling (at the point of purchase)
Price	low cost to appeal to target markets

3. One of your friends was recently watching TV and saw an advertisement that she liked. She said, "Wow, that was great marketing!" Was the ad in fact marketing? Why?

Instructor's Notes: Students frequently associate advertising with marketing, but fail to recognize that advertising is just one part of all the functions encompassed by marketing.

Example answer:

- Student responses should acknowledge that marketing is made up of product, price, place, and promotion decisions and advertising is one of the promotional tools available to marketers.

4. Mercedes-Benz manufactures the Smart Car, which sells for around $16,000, and the SL65 AMG 2-door Roadster for over $200,000. Is Mercedes providing the target markets for these cars with good value? Explain why.

Instructor's Notes: This application question seeks to encourage students to recognize that different market segments want different product attributes.

Example answer:

- Mercedes-Benz has exemplified this principle by offering a range of brands and models at different price points in order to reach several market segments. Urbanites with a desire to make an environmental (and fashionable) statement while driving an expensive car with excellent gas mileage are targeted with the Smart Car while the Roadster targets hip and high income professionals. Value is in the eye of the beholder so ultimately sales of the two models are the best judge of whether Mercedes has succeeded in offering a good value.

5. Assume you have been hired by the marketing department of a major consumer products manufacturer, such as Colgate-Palmolive. You are having lunch with some new colleagues in the finance, manufacturing, and logistics departments. They are arguing that the company could save millions of dollars if it just got rid of the marketing department. Develop an argument that would persuade them otherwise.

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Instructor's Notes: This scenario forces students to think about the purpose and value of marketing in an organizational context and allows for a variety of justifications. For example, a student could use an internal or external perspective and argue that finance, manufacturing, and logistics tend to worry less about the customer and more about internal processes, whereas the marketing and sales functions constantly focus outward on the customers the company serves. Using this argument, the student might question whether other departments are willing or prepared to take on customer relations and develop an understanding of how and why customers buy the company's product or service. Another argument might simply demand how customers will even know about the company's products if the marketing department doesn't broadcast their features, benefits, and value outward.

Example answer:

Marketing is a necessary function for three reasons:

- It focuses on understanding what the company's customers actually want and need, as well as how to derive value from the company's products and services. A department dedicated to this function frees other departments to focus on what they do best—be it finance, manufacturing, or logistics.
- It can act as a buffer between external customers and internal company functions, save other departments from customers' direct demands, and cut down on the amount of churn within the organization.
- It understands how to communicate the breadth and value of the company's products to an external audience and ensures the audience knows that the company and its products even exist. Without this communication and the subsequent knowledge gained by the customer, there would be no sales revenue and, consequently, no company!

6. Why do marketers find it important to embrace societal needs and ethical business practices? Provide an example of a societal need or ethical business practice being addressed by a specific marketer.

Instructor's Notes: This question centres on the role of social and ethical issues in a marketing context. Students might mention efforts such as keeping the environment clean and offering fair wages to workers, then argue why a marketer should be concerned about those issues.

Example answers:

- Ben & Jerry's donate a percentage of its proceeds from certain products to worthy causes.
- Starbucks Coffee promotes its fair trade coffee blends and bottled water sales that support third-world water purification programs.

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- The Body Shop commits to no animal testing for its cosmetics line.

7. Using the four Ps, discuss how Kashi creates value for customers with their Kashi Bars.

Instructor's Notes: This question encourages students to not only identify the 4Ps from the tons of information on a company's website but also to think how a company develops marketing mixes for different market segments. They must also be able to link the differences in the marketing mix to the characteristics or needs/wants of the different customer segments.

Example answer:

4Ps	
Product	Kashi exclusively uses natural, wholesome ingredients in their products. Its products provide value to consumers by offering a healthy, yet tasty snack bar.
Price	Kashi bars are competitively priced with other quality snack bar products at less than $2.00 per bar in the single serve pack.
Promotion	Kashi bars are promoted using images of wholesome ingredients as well as people living an active lifestyle of hiking, biking, etc. Because Kashi bars are portable and individually-wrapped, they fit easily into an active lifestyle, providing value of wholesome, quality food on the go.
Place	Kashi bars are distributed in a variety of ways: multi-pack boxes in grocery stores and single bars in convenience stores and vending machines. Therefore, Kashi creates value by making its products readily available in a multitude of locations when consumers are looking for a snack.

8. For many consumers the difference between Dasani water made by Coca-Cola (http://www.dasani.com/) and Aquafina made by Pepsi (http://www.aquafina.com/) is hardly noticeable. However, both companies and their loyal customers would argue that there are many differences between these two brands of water. What is your view? Explain how customer perceptions and emotions may influence the way they value a company's product.

Instructor's Notes: This question centres on the subjective bases consumers use to assign and evaluate value to competing products and services. Students will realise that value is not always determined by objective measures such as product features, prices, etc.

Example answers:

Students' answers may vary but focus on ideas such as loyalty to a brand, company reputation, look and feel of product, experience, attitude to bottled water, and pricing. Generally, the stronger and

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more positive the customer's feelings, emotions and experiences with a particular brand, the more likely they will assign a greater value to that brand of water.

9. As described in this chapter, customer relationship management is a very important aspect of value-based marketing. Pick any one of Canada's major retailers, e.g. The Bay (http://www.hbc.com/), Loblaws (http://www.loblaws.ca/), or Shoppers Drug Mart (http://www.shoppersdrugmart.ca/), and explain how they go about building strong customer relationships with their customers.

Instructor's Notes: This question asks students to think about the ways in which marketers try to build strong customer relationships. Students should discuss how the techniques identified are actually used by marketers to build customer relationships and to what extent they think these measures are successful in influencing their own individual purchasing behaviour.

Example answers:

Students may identify a variety of methods based on their individual experiences. However, most will likely focus on customer loyalty programs (and the many variations) as well as various marketing communication that are either general in nature or personalised. Ask students to discuss to what extent their purchase decisions are influenced by these techniques and whether or not they think they benefit from the various methods. Real practical examples should be solicited from the students.

10. Using the four Ps, discuss how the Apple iBeacon will create value for customers.

Instructor's Notes: This question encourages students to think about the value proposition of a new technology from a highly reputable global company from the perspective of the four Ps. Most students would have experience with Apple's products but may not have experience with iBeacon.

Example answers:

- iBeacon is software that works as a location service, such that transmitters can send messages to any user with an iPhone or iPad that has been updated to iOS 7. (product)
- iPad and iPhone owners will receive iBeacon when they freely update their systems to iOS 7 (price).
- Apple has currently chosen to not actively communicate about iBeacon to customers (promotion).
- iBeacon is electronically available over any Internet connection (place).

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Marketing Digitally

1. **Happy Planet (http://www.happyplanet.com/), a Vancouver-based organic juice producer is an emerging player in the organic beverage market supplying all of Canada and some of the U.S. with organic juice. Visit its Web site and describe how it delivers value above and beyond that provided by traditional grocery retailers. Describe the ways in which the company communicates this value through its Web site.**

Instructor's Notes: This exercise allows students to analyze how a socially responsible grocery retailer creates value and communicates that value to its customers. Students might examine the images and words Happy Planet uses to express its message, the breadth of the appeal of those elements to different customer segments, which elements appear most prominently on the Web site, and what that selective prominence says about the priority of value being expressed.

Example answers:

The company gives an overview of not just the nature of the company but also its social values. To reinforce that message, the company has chosen to include its mission statement in the centre of its homepage and discusses it contribution to the community through its *Community Partners Program*.

2. **Visit the websites for KIND (www.kindsnacks.com), Kashi (www.kashi.com), and Snickers and Mars (www.snickersandmarsproteinbars.com) bars. What value do these manufacturers provide customers? How are their value propositions different?**

Instructor's Notes: This exercise is intended to get students to determine the value different energy bar makers offer their customers.

Example answers:

Student responses will vary, and faculty should review the websites to verify currency. KIND Snacks' mission statement focuses on its interpretation of the word "kind" and how it uses the profit from its products to perform "kind" acts. Eating KIND Snacks' treats is not only kind to your body, but it is also kind to society when consumers support the company through purchase. For Kashi, it is all about goodness for your body, the planet, and each other. Kashi promotes wholesome ingredients and "real food." On the other hand, Snickers and Mars bars focus on indulgence and the rich source of protein that its products provide to consumers. Although each firm is selling a snack bar, the value they are providing consumers differ in both tangible and intangible ways because of the variation in ingredients and hedonic, or psychological benefits.

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End-of-Chapter Case Study: KIND Bars for a Kinder World

1. Describe the target market for KIND bars. In your discussion, explain:

- **What types of people does KIND sell to?**
- **How does KIND appeal to those different groups of people?**

Example answers:

Student responses, specifically target markets, may vary because the target market is not specifically defined in the case. Based on the case information, the target market for KIND bars are consumers who are interested in the food products they consume as well as the community and broader world.

KIND sells to consumers who care about taste, real ingredients, and creating a better world. KIND also sells to those who are looking for a high-protein snack, typically athletes and those who follow a healthy lifestyle or who follow high protein diets. KIND also produces fruit-based products that are also sold to parents who are looking for low glycemic index snacks for their children.

To appeal to different groups of people, KIND sells a variety of products including bars and fruit-based snacks. It uses a variety of media channels, including digital media to deliver its message.

2. Outline KIND's 4Ps.

Example answers:

Products: KIND manufactures multiple product lines, including a variety of bars and fruit-based snacks.

Price: KIND products are priced competitively with other "healthy' or "natural" snack products.

Place: KIND products are distributed through a variety of channels including food retailers, discount chains, convenience stores, and vending machines.

Promotion: KIND uses a wide variety of promotional techniques including coupons or discount pricing, digital and traditional advertising as well as publicity through corporate social responsibility and activism.

3. Does KIND act in a socially responsible manner? Explain your answer.

Example answers:

Based on the case, KIND does act in a socially-responsible manner. Kind believes that its firm is more than a food producer and instead "make[s] the world a little kinder." KIND acts on this belief by providing grants to customers to improve their communities. Employees also encourage people to act kindly by giving out #kindawesome cards to people they see acting kind that can be redeemed for special offers. Furthermore, the CEO of KIND donated the proceeds from his book to various kindness initiatives.

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Video Activities

Video: Making a Market: Vosges Haut-Chocolat

Core Concepts Covered: Marketing Mix

Activity Summary: This video case presents a marketing mix for a small brand that seeks to differentiate itself through luxury and innovation. After the video ends, students are asked questions about the video and related course concepts.

Activity

- **Introduction:** Vosges Haut-Chocolat is a chocolate brand seeking to make consumption of their chocolate a luxury experience which has grown along with the market for high-end chocolate. The video discusses how Vosges has created a cohesive marketing strategy focused on luxury and innovation. This activity is important because successful marketing requires an understanding of the full range of marketing activities, and of the importance of ensuring that all these activities serve a common strategy. The goal of this exercise is to test your understanding of the basic concepts of marketing.
- **Video:** The video is presented to the student below the introductory information. The video plays embedded on the page, after which questions are presented.

Follow-Up Activity

- Compare Vosges to Godiva, which is probably the best-known luxury chocolate brand in the USA. What advantages does Godiva have over Vosges? How can Vosges compete successfully with Godiva (both in terms of its current activities and other things it might do)? Points to consider:
    - Godiva has far more brand recognition, more of its own stores, and a wider distribution network.
    - Vosges has its innovative flavors; in addition, the very fact that it is not as well-known might allow the brand to create a more exclusive, super-premium image.

Video: Marketing at The Gluten Free Bar (GFB)

Core Concepts Covered: Define Marketing, Marketing Mix, Importance of Marketing

Summary: The snack market is the largest in the food and beverage industry. Most individuals have at least one a day. The selection is vast including granola bars, nuts, trail mix, dried fruits, and cereal. Granola bars is the largest in this category. However, less than 10 years ago the choices for healthy

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bars, especially gluten-free, were limited. When Marshall Radar was diagnosed with Celiac Disease in 2010, only a couple of gluten-free bars were available. One didn't have enough protein, so he was always hungry after eating it. The other had lower-quality ingredients giving a taste he didn't like. Marshall took matters into his own hands and created the Gluten Free Bars (GFB). He and his brother created a unique gluten-free bar with high-quality ingredients. They started selling to coffee shops. Now, the GFB has its products in over 11,000 stores in the United States and Canada. The GFB recently expanded into other markets and has plans to grow its international market share. While it still sells to coffee shops, only about ten percent of its business is still in that market. Its smallest, yet most profitable market is e-commerce. One thing it does to differentiate itself from other bars is producing them in-house to keep tight control over quality. It has developed trust with consumers by obtaining certifications that reflect the quality of the GFB.

Activity Summary: Students watch a video that addresses how the marketplace is divided into groups of potential customers who are important to Gluten Free Bar (GFB) for different reasons.

Activity

Introduction: Marketing creates value in organizations. This video shows that marketing is a core part of everyone's life regardless of the time of day. From early morning until late at night buyers and sellers trade things of value so that each is better off. Understanding the needs and wants is essential to marketing success.

Questions:

1: The Internet is the smallest portion of GFB's business, yet the most profitable. The company considers the consumers who shop on its website as special. What does the company do to create value for its online shoppers and encourage them to continue shopping on its website?

Brief Answer:

GFB does a variety of things for its e-commerce patrons, such as:

- Providing new flavors not available from other sources
- Allowing customers to taste new flavors and provide feedback
- Giving free products monthly
- Sending free gifts, such as t-shirts

2: How does GFB build trust and create value through its products?

Brief Answer:

The GFB's products are certified vegan, non-GMO, soy and dairy free, gluten free, and kosher.

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Follow-Up Activity

Discuss the criteria for segmenting a market. Depending on the size of the city or town in which your school is located, have students think of products that can successfully be marketed in your location and others that might not. If the city is large, consider products that succeed there but might not in a smaller town. If school is in a small college town, consider products that are available in larger areas but not yours. Lead the students in a discussion of why those products can succeed or why they can't based on the criteria required for segmenting a market.

Video: Introduction to Marketing: Red Mango

Core Concepts Covered: Value Creation, Marketing Mix (four Ps: Product, Price, Place, and Promotion)

Summary: In 2007, Founder and Chief Concept Officer, Dan Kim opened the first Red Mango frozen yogurt shop in the United States. In five years, Red Mango has grown to 150 locations. Red Mango delivers value to its customers by offering a healthy product made with 100% all natural ingredients, fortified with probiotics. Customer value is also achieved through the design, decor and comfort of the stores themselves. By allowing customers to use the self-service area to customize their own dish of frozen yogurt, Red Mango engages its customers in value co-creation. Rather than use traditional marketing, Red Mango uses social marketing tools to allow its customers to engage with the brand through Facebook, Twitter, Instagram, and Pinterest.

Questions:

1: How does Red Mango deliver value to its customers through the marketing mix (the 4 Ps)?

Brief Answer:

Product - by providing a 100% all natural product fortified with probiotics, and by advertising the health benefits of the product

Price - by fulfilling an emotional need state (hunger, happiness, reward) at a fair price. The average price of a customer ticket is $5-$7

Place - by providing cool, comfortable stores that invite customers to socialize

Promotion - by engaging customers in value cocreation through its self-service area and by engaging customers in social media through Facebook, Twitter, Instagram, and Pinterest

2: Central to Red Mango's marketing is giving customers the opportunity to engage with the brand. How does Red Mango accomplish this?

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Brief Answer:

Red Mango engages its customers through the use of social media and value cocreation. In locations that offer a self-service area, customers are allowed to create their own "Red Mango." Customers are encouraged to share their creations with others via Instagram, Twitter, Pinterest, and Facebook.

Additional Teaching Tips

In this chapter, the goal is to provide an overview of marketing and encourage students to think about the specific aspects of the marketing mix.

Place is one of the most difficult concepts for students because it is largely invisible to them as consumers. They touch hard goods, experience services, view and hear promotions, and pay for what they buy, but it can seem that products almost appear magically. One recent trend among environmentally-conscious consumers is to seek out products produced within a 100-mile radius of their home towns. Buying these products reduces costs and detrimental environmental effects by reducing emissions associated with transportation and storage. Students should visit local grocery markets, identify goods, and investigate how far the products traveled (and by what means) to reach the store's shelves. From this experience, a rich discussion of both distribution decisions and marketing's impact on society can evolve.

To make the *eras of marketing* clear to students, divide the class into groups with each group assigned to a specific era. Ask the students to identify a business that adheres to their assigned era in terms of its business philosophy and approach. They should present the business to the class with evidence of the business's philosophy. Each brief presentation should include an assessment of whether the orientation is appropriate to the business given its competitive environment, target audience, and positioning strategy and if not, what orientation would be best.

Newsletter Teaching Aid

Remember to subscribe to "**Grewal Levy Marketing News"** at https://grewallevymarketing.com/. Published weekly, each newsletter contains a feature article on current topics, for example Lime Rental Scooters, with discussion questions that can be used in class. Each article is tagged so instructors can quickly identify relevant chapters for the newsletter content. The newsletter also features a selection of related articles, and links to archived articles sorted by chapter for ease of use in your class.

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Financial Exercises: Coppola's Deli

Coppola's Deli is a small, family run sandwich shop located in the heart of the Halifax business district. Opened by Salvatore Coppola in 1953, the shop is now run by his son, Frank Coppola. Coppola's specializes in a variety of different sandwiches and wraps that are popular with the downtown lunch and breakfast crowds. This area is home to approximately 1,800 businesses in a ten block radius. There are just over 47,000 business, finance and administration professionals in the city based on 2011 demographic information and most of them work in the business district. The location also gets good weekend traffic and is generally very busy through the summer months. The shop has been in the same location since opening, and has become a landmark in downtown Halifax. The deli currently offers catering services, mostly sandwiches for businesses, but has not looked at other potential markets until recently.

There are 4 staff members including Frank, who produce roughly 200-250 sandwiches a day. Depending on the ingredients, regular sandwiches retail for between $5.00 and $6.50. There are also some specialty sandwiches retailing for $7.00 which Frank creates with ingredients like pepper steak or spicy sausage. In the food industry, the cost of the food generally accounts for 30% of the end-selling price with the remainder being based on service, quality, etc. Coppola's uses very high quality deli meats and cuts them individually for each sandwich. Frank has been able to maintain good relationships with his suppliers and thus been able to maintain his margins over time.

Coppola's also caters for some local businesses providing sandwich platters, drinks, fruits and vegetables for a variety of different events. This part of the business has been stable over many years but has not grown in any significant way. It is generally the same clients that request catering services. Frank uses this exposure to try to grow his retail business. He marks every order with the Coppola's logo and has had several people come to his shop after trying a catered sandwich. Currently Frank does not have the desire to actively grow this part of the business but will gladly take any jobs that come his way.

Frank has worked in the shop since he was a young boy. His father employed him after school, on weekends and during the summer. With this exposure it was no surprise that he was well suited to start managing the business when he was only 22. His father was still involved for many years but transferred most of the responsibilities to Frank. Frank is the oldest child and has two younger brothers and one sister. All four worked in the deli as children but the younger three had no interest in staying on and so pursued other careers as adults. When Salvatore died in 2005, Frank's brothers and sister decided that Frank should inherit the business given the work he had put into it. Coppola's has no debts and owns the building in which it is located.

Over the years the deli has been profitable allowing Frank to make a very good salary. However, profits are not always consistent year over year and can be greatly affected by economic factors. When the economy is poor, Frank sees a decline in his lunch business as people cut down on extra expenses. This is happened during the financial crisis of 2009. Profits

from Coppola's Deli fell from $89,300 in 2008 to $65,500 in 2009. However with economic improvement in 2010 and some expansion in the business district, profits rose to $163,100, which was more consistent with the profits earned by Coppola's previously.

Over the past year, Frank has been considering expanding his business into new areas. He feels that he has been successful, is established and is now interested in taking some risks. He also has a 10-year-old son whom he hopes will be interested in the business. Frank wants to grow the business to provide his son with a good opportunity when he is older just like his father did for him. If his son shows no interest, growing the business should increase the bottom line, a valuable measure for future sale.

Frank is considering two potential ways to grow the company. The first is to open a second deli in the ritzy South End neighbourhood of Halifax. Known as one of the wealthiest neighbourhoods in Canada, it is in close proximity to the business district and is populated by a wealthy group of doctors, lawyers and finance professionals. Based on Canadian demographic data Frank believes there are 2,200 households that would make up his market. Another 1,000 households in surrounding areas could also be a potential market. Frank feels that many of the residents work in the business district and know of Coppola's Deli. Frank hopes that he can leverage his current reputation to capture the weekend market and stay at home segment in the neighbourhood. Just over 20% of the Halifax population has an income greater than $100,000 annually, with a significant portion of this group living in the South End. Frank feels that this area shows greater promise than any other neighbourhood in the city.

The second deli would be given a different name but Frank would promote it through Coppola's. It would have an espresso café and offer some boutique food items including Italian desserts, cheeses and gourmet coffee. After doing some preliminary research, Frank has identified his competition and noted that the outlets appear to be successful. None are direct competitors in the sandwich business nor do they have a reputation as good as Coppola's. Sandwiches in this new shop would retail starting at $7.00 and up. Frank has estimated that his cost per sandwich would remain on average at $2.70. Renovations to a new space would be costly and since he would not own the building, he would be subject to high lease costs of approximately $3000 per month.

In order for the new deli to succeed, Frank will have to advertise the business, something he has never had to do with Coppola's. After contacting some local radio stations Frank feels that CIOO-FM in Halifax has the best reach of his potential customer base. They play contemporary hits and reach 30% of the population on a weekly basis. To run two ads per day during peak time would cost Frank $400 per week, with a run of eight weeks. The radio station advises that companies do three runs of eight weeks as a minimum each year. Frank is concerned that the cost might be too high for the reach it gives him. He is also considering direct mail advertising. Canada Post will deliver unaddressed mail to homes and apartments for $.14 per item. Frank knows a local printer who will design and print 1500 full colour advertising pieces for $1200. Frank believes he will need to send direct mail piece once a quarter for the campaign to be successful.

Frank's second option is to wholesale sandwiches to private grocery stores, cafes and coffee shops. He has been approached many times over the last 20 years by different businesses that know of his reputation for service and quality. In the past, Frank was comfortable with his single shop but now feels that this could be an easy way to increase his revenues at a comparatively low risk. He has the extra capacity in the back of his shop and estimates that he would need 2 additional employees working full time making sandwiches. He will likely have to hire a full time deliveryman to be able to fill orders across the city. To start, this new service would be focused exclusively in Halifax. To be successful, Frank feels that he needs to send a personal letter and information about the service to about 100 businesses in the greater Halifax area. According to the Downtown Halifax Business Commission, there are over 60 cafes in the downtown alone that could be a fit as wholesalers. It would cost him roughly a dollar per letter in material costs and $.59 per letter in postage costs.

There are a few other competitors in the Halifax sandwich business but they generally serve different markets. For example, established chains like Williams and Tim Hortons offer more basic food, coffee and a sit down environment. However they do not have the selection offered by Coppola's and people generally complain that they are slow during the lunch hour. Coppola's is very quick and provides a wrapped sandwich for customers to take back to the office. The other major competitor is Sandwich Express. They offer a variety of sandwiches with fun names and target the university crowd. They can seat customers but are more like a fast food restaurant. Their sandwich options are also more expansive with the top price being around $9.00 depending on the ingredients. Coppola's has been around for the longest, and with its strong reputation, has had little reason to fear the competition.

Questions

Question 1
How does reference pricing affect what Coppola can charge? How can he mitigate the effects?

Question 2
Based on the industry standards, how much profit does Coppola's make on average from a regular sandwich? On a speciality sandwich?

Question 3
How much mark-up is represented by the above income for the two types of sandwiches?

Question 4
If Coppola decides to open a second deli, what kind of pricing strategy should be used based on the characteristics of the market?

Question 5
What kind of buying behaviour would customers of the new likely deli exhibit?

Question 6
What is the total cost of advertising for each of the proposed methods to promote the new Deli? Which one is the most cost effective? Which one would be best for the business and why?

Question 7
One retailer purchasing wholesale sandwiches wants to get a 30% margin on each sandwich and all products will be sold in his café for $6.25. At what price must Coppola sell the sandwiches to the retailer? How much profit would Coppola make on each sandwich?

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Answers relate to Pricing, Consumer Behaviour, Segmentation Targeting & Positioning, and IMC chapters

Question 1

A reference price is pricing that consumers use to facilitate the evaluation of different purchases. These are determined by internal and external information about the price of different alternatives. In this example prices offered by competitors of Coppola's act as external influencers and effect the perception what is a fair price for a sandwich. These impact our internal reference prices, which we call on when we decide to purchase. If the pricing of a sandwich is inconsistent with consumers believe is fair can lead to the perception that high prices are unfair or low prices signify low quality. Prices need to be set at a level that is consistent with the service expectation and food quality of this type of restaurant or there is a risk that Coppola's will lose customers.

To mitigate the impacts of reference pricing, Coppola's should insure that their positioning fits with the customers they are trying to reach and the pricing strategy that they will employ. This would entail using a value positioning strategy and pairing this with a value based pricing. This strategy focuses on the trade off between cost and benefit. Coppola's is able to provide high quality product, quickly for a reasonable price. These would be the attributes that provide value to Coppola's customers.

Question 2

A regular sandwich retails for $5.00-$6.50, with the average price being $5.75 per sandwich. The cost represents 30% of the selling price based on the industry standards listed in the case.

=5.75*.3
=1.73
Profit = 5.75-1.73
=4.02
Therefore Coppola's makes $4.02 profit on every regular sandwich sold.

Specialty Sandwiches retail for $7.00.

=7.00*.3
= 2.1
Profit = 7-2.1
= 4.90

Therefore Coppola's makes $4.90 on every specialty sandwich they sell.

Question 3

Mark up is calculated by subtracting the cost from the selling price to determine profit. Then you divide this profit by the cost.

In this example the cost for a regular sandwich is $1.75 and profit is $4.02.

4.02/1.73 = 2.32
Mark up = 232%

For specialty sandwiches the profit is $4.90 and the cost is $2.10.

4.90/2.10 = 2.33
Mark up = 233%

Question 4

The target market for the new deli would be a resident of the wealthy South End neighbourhood in Halifax. This group is not highly price sensitive and is looking for a unique product and experience. With this target market, Frank should utilize a Value-Based pricing method. This pricing strategy focuses on setting prices at a level that reflect the value of the product offering as perceived by consumers. Under this strategy, consumers evaluate the cost and benefits. With a unique product or service customers are generally willing to spend more because they put a high value on the benefits they receive over the cost of acquiring them.

Question 5

Customers of the new deli are likely to exhibit variety-seeking buying behaviour. Customers exhibiting this behaviour generally have low involvement but perceive differences among brands. The new deli generally would be selling high quality and low cost food. Food purchases are not generally high involvement. Much of the value comes from prior experiences so Frank needs to leverage the reputation of Coppola's and create incentives to get people to try the new deli. Over time customers who have a positive experience with the new deli will begin to show signs of habitual buying behaviour.

Question 6

Total Cost Radio:
Cost per week: $400
Number of weeks per run: 8
Number of runs per year: 3

Total cost = 400*8*3
= $9,600

Total Cost Direct Mail:

Cost to mail each piece: $.14
Number of pieces per mailing: 1500
Cost for printing (1500): $1200
Number of mailings per year: 4

Total cost= 4*((.14*1500)+1200)
= $5,640

The most cost effective means of advertising is direct mail as it is it is 42% cheaper than the cost of radio advertising. Direct mail is also more likely to be successful as a means of advertising than radio. Radio does have a larger reach but with only two advertisements per day it is very hard to measure whether the target market in the south end will be listening when the advertising is aired. Direct mail allows Frank to target specially households in the south end and more cost effectively customize his message every quarter.

Question 7

Margin % = (Price-Cost)/Price
Cost =Price- (Price*Margin %)

In this example the café purchasing the sandwiches wants to make a margin of 30%. The selling price of sandwiches will be $6.25.

Cost 6.25- (6.25*.3) = 1.87
Cost (6.25-1.87) =4.37

Therefore, Coppola's will have to sell the sandwiches at $4.37 each to satisfy the café's desire to make a 30% margin.